

Report of	Meeting	Date
Deputy Director of Finance (Introduced by the Executive Member Resources)	Executive Cabinet	21 January 2021

DRAFT BUDGET 2021/22 AND SUMMARY POSITION OVER THE MEDIUM TERM

PURPOSE OF REPORT

- To set out the budget position for 2021/22 including the forecast for the following 2 years to 2023/24 and also present the relevant proposals in respect of:
 - The use of forecast resources identified in 2021/22
 - Budget consultation

RECOMMENDATION(S)

- That members agree the contents of this report in order to start the budget consultation process and note the following proposed budget items, in particular:
 - A proposed 1.99% increase in council tax in 2021/22 with no proposed cuts to services
 - The forecast balanced budget for 2021/22 and the forecast budget position in 2022/23 and 2023/24

EXECUTIVE SUMMARY OF REPORT

- The budget forecast over the next 3 years have been updated to take account of the following:
 - Due to the continued pressures on council expenditure budgets and reduced funding from Government, there is a proposed 1.99% increase in council tax in 2021/22.
 - There is a proposed 1.99% increase in council tax in 2022/23 and 2022/23 this will be revisited every year and will be dependent upon the outcome of the Government announcements regarding the Fair Funding Review and review of the business rates system.
 - Continued investment in ongoing revenue budgets of approximately £1m that will deliver corporate strategy priorities
 - Capital investments of over £56m in corporate priority projects
 - Strategies to reduce the budget deficit in the medium term
- Consultation on the proposed budget for 2021/22 will commence following approval of the proposals by Executive Cabinet. The consultation will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey. Results will be analysed and published in February for consideration as part of the council's final budget.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

5. The council wishes to set out its budget proposals and consult on them with residents

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6. None, this is the draft budget and alternative budgets may be considered as part of the final budget proposal.

CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy homes and communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

FUNDING

Spending Round 2020 and Provisional Local Government Finance Settlement

8. There continues to be uncertainty regarding the council's funding streams with the Government announcing a one-year financial settlement for 2021/22 rather than the expected multi-year settlement. The Provisional Local Government Finance Settlement 2021/22 was published on 17 December 2020. The implications of this provisional settlement are outlined below.

Business Rates

9. As stated above the assumption for the 2021/22 budget is that Government funding will be in line with 2020/21, this includes the assumption that the council will once again be a member of the Lancashire Business Rates Pool. Chorley Council benefits from additional business rates income of approximately £800k from being in the pool. This is assumed to continue in 2021/22.
10. Forecasting levels of business rates beyond 2021/22 remains complicated due to uncertainty regarding the quantum of business rates that will remain when the system is reset. The date of this reset is still uncertain, the Government had forecast an implementation date of April 2022 and so it is assumed in the budget that reforms will take place then. The level of business rates retained by Chorley Council under the new system will also depend on the outcome of the fair funding review. This review will set new baseline funding allocations for all Local Authorities and aims to simplify the existing system and provide an up to date assessment of Authorities relative needs and resources. Until the government completes the fair funding review and the reset of business rates, the council will continue to have to work with considerable uncertainty in its budget planning.

11. To be prudent, the budget assumes over the medium-term that the council will lose the benefit from being in the pool and therefore reduce retained business rates income by £800k. Previous announcements from Government have mentioned a transitional period for implementing funding reforms. As such, the budget assumes a reduction in business rates income of £400k in 2022/23 and the full £800k by 2023/24.

New Homes Bonus

12. As expected, funding from New Home Bonus (NHB) is still assumed to discontinue in 2023/24 however it has been announced that the existing New Homes Bonus scheme will be maintained for a further year. Allocations included in the budget are as follows:
 - 2021/22 – 2-year allocation £1.462m
 - 2022/23 – 1-year allocation £0.550m
13. The government is due to consult on reforms to the new home bonus shortly, with a view to implementing reform in 2022-23. It is expected that a replacement to new home bonus will be announced however nothing further is known as to how the scheme will operate and what additional levels of funding, if any, will be made available to the council. Again, this creates a significant degree of uncertainty for the council.

Council Tax

14. The Provisional Local Government Finance Settlement announced a council tax increase limit for district councils of up to 2% or £5 on a Band D equivalent in 2021/22. No announcement has been made regarding future years however it is assumed that the same principles will continue throughout the future three-year budget period.
15. The Provisional Local Government Finance Settlement publishes the Core Spending Power available to local authorities. This is the level of resources the Government assumes councils will have available and is predicated on all councils across the country increasing council tax up to the referendum limit of 2% (5% for authorities with social care responsibilities) year-on-year. **As such, if the council were to freeze council tax it will create a gap over the medium-term as to what funding the Government assumes the council will have and what funding it can actually generate. This is important for when the Government implements the changes following on from the Fair Funding Review. When setting the level of retained business rates for the council, the Government will assume the council enjoys a higher level of council tax to compensate for any potential fall in business rates.**

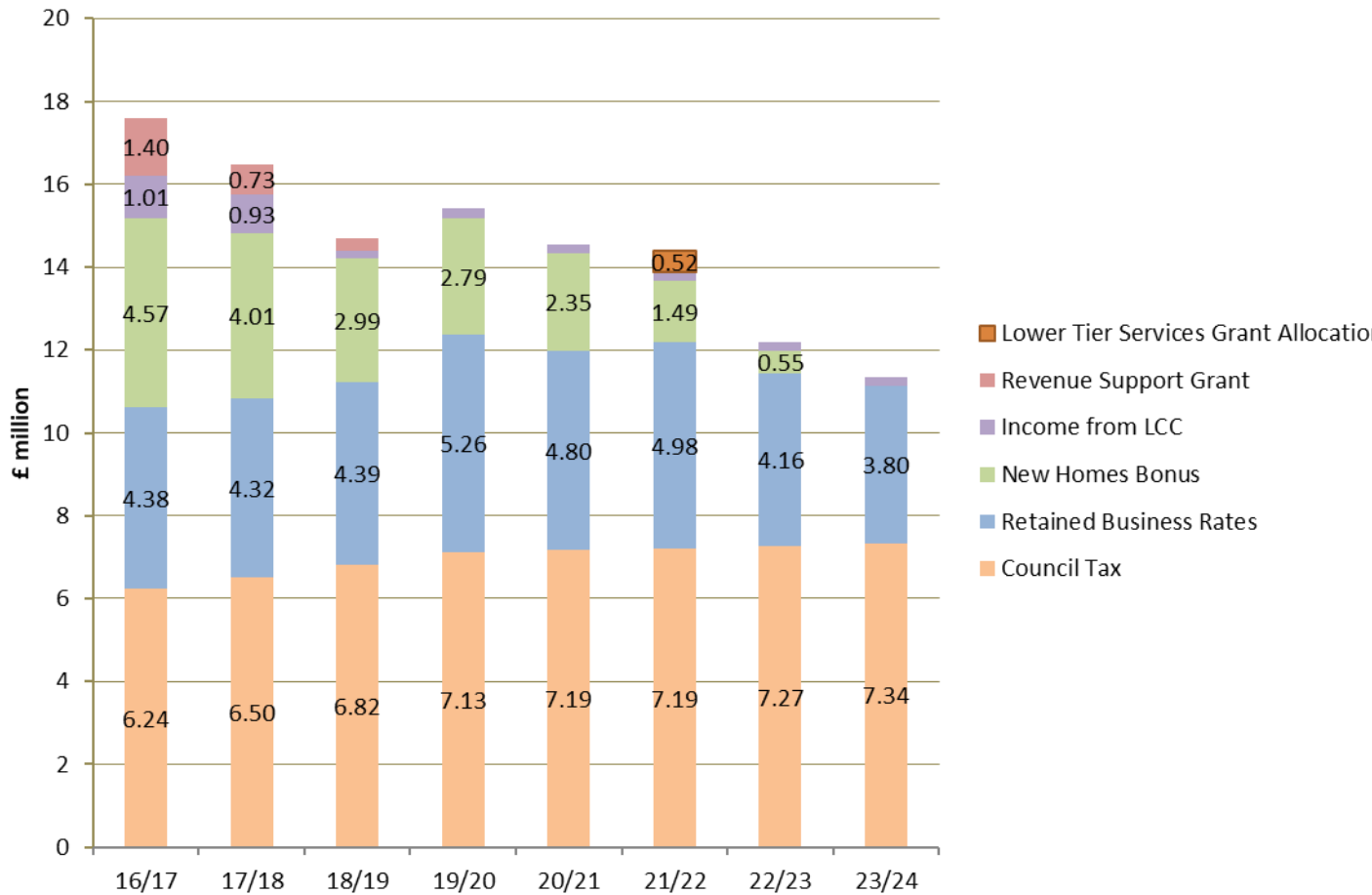
Lower Tier Services Grant

16. As introduced above, the Government calculates every year the council's core spending power that is a combination of the council's council tax income, business rates income and new homes bonus grant allocation. For 2021/22 the £856k reduction in new homes bonus from £2.356m to £1.490m is not offset by the assumed additional income that the council will receive from increasing its council tax charges. As such the government has introduced a one-off £519k grant to compensate the council in 2021/22 called the Lower Tier Services Grant. This is an un-ringfenced grant that has been included in the council's funding streams.

Covid-19 Funding

17. During 2020/21 the council received numerous funding streams from Government to support businesses and residents during the pandemic. This included a £1.634m of un-ringfenced emergency funding to support the council through the immediate and long-term impacts of the pandemic. The provisional settlement also announced an additional £1.55 billion of un-ringfenced grant across all local government, of which Chorley Council's allocation is £556k.

Major Sources of Council Funding



18. The chart above outlines the forecast level of funding across the next three years in comparison to previous allocations. Retained business rates are forecast to reduce in 22/23 when the Fair Funding Review and reset are forecast to be implemented. This is a cautious but necessary assumption given the uncertainty surrounding the new system. The level of council tax in the charts above does not include the proposed increases in council tax from 2021/22 onwards.

EXPENDITURE

Pay Award

19. The Government spending review announced a pay freeze in 2021/22 for the majority of public sector staff with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. These assumptions have been included in the pay budget for Chorley Council in 2021/22 although these Government proposals are not yet agreed with public sector unions.
20. The spending review also announced that national living wage will rise from £8.72 to £8.91 an hour and will be extended to workers aged 23 and over from April 2021 This will not affect Chorley Council's pay bands for 2021/22 as the council pays above this level already.
21. Looking further forward the council is has included a 2% pay increase for all staff in 2022/23 and 2023/24. This assumption adds approximately £200k to the pay budget each financial year.

Pension

22. As part of a triennial pension review the Lancashire County Pension Fund announced an increase in employer pension contributions for 2020/21 to 2022/23 to meet the future costs of the scheme. The contributions have increased from 14.4% to 16.4% resulting in an increase in the council's contribution. The same contribution rate is assumed for 2023/24 although this will be reviewed when the new three-year review is undertaken.

Brexit and Covid-19

23. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT). Much speculation continues around the likely financial effects of the final leave arrangements, but it is clear that the continued uncertainty has presented significant concerns across the country. The potential risks to the council include increases in inflation, a slowdown in the local economy affecting rental and property values and income from retained business rates and council tax. To date the council has received £35k of funding from Government for EU Exit Preparation.
24. The financial impact of Covid-19 has been outlined in the quarterly budget monitoring reports approved by Executive Cabinet throughout 2020/21. This includes:
 - Forecast reductions in council tax and business rates collection rates. The Government has provided grant support for this loss in income during 2020/21.
 - Government grant funding received to support various initiatives including support to businesses, providing additional homelessness and food support to residents and support for the track and trace systems.
 - Government support for the council's reductions in fees and charges in 2020/21 including reduced car parking income. This is forecast to continue in April to June 2021.
 - Reductions in rents at the council's retail and other commercial sites

25. As part of budget setting for 2021/22 and further forward the following assumptions have been made regarding Covid-19 and Brexit:

Income

- That a net surplus from Strawberry Fields will not be realised until 2023/24 onwards
- Income from the existing Market Walk will be permanently reduced by at least £100k as the retail industry adjusts to a post-Covid environment.
- The income from Market Walk Extension will be lower than previously forecast and will take longer to reach maximum capacity however the site will still generate a net income to the council.
- The impact on fees and charges will not be permanent and that income levels will return to pre-Covid levels including the council's major sources of income such as planning fees, car parking and garden waste subscriptions.

Expenditure

- Any expenditure relating to the council's compliance with the current or future Government's requirements relating to Brexit or Covid-19 will be met through existing budgets or grants from Government. This could include future grants to businesses, support to the homelessness or support to residents such as additional council tax support.
- There will be additional net expenditure incurred in 2021/22 relating to bringing the council's leisure services in-house. It is expected this cost will reduce over the medium-term. These figures are identified separately in this budget report.

BUDGET DEFICIT

26. The council's total budget deficit is summarised in table 1 and is based upon the reductions in funding described above and the following key budget assumptions. It should be noted that some of the assumptions are still potentially subject to change that may impact positively or negatively on the budget.

Table 1: Total Budget Deficit

	2021/22 £m	2022/23 £m	2023/24 £m
Council Tax	(7,193)	(7,265)	(7,338)
Retained Business Rates	(4,982)	(4,163)	(3,795)
Lower Tier Services Grant Allocation	(519)	0	0
New Homes Bonus	(1,490)	(550)	0
TOTAL FUNDING	(14,184)	(11,978)	(11,133)
NET EXPENDITURE	14,486	14,986	15,447
BUDGET DEFICIT	302	3,008	4,314
<i>Leisure Services</i>			
Estimated Cost of Leisure Services	606	243	0
TOTAL BUDGET DEFICIT	908	3,251	4,314

27. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example, the deficit of £4.314m in 2023/24 identified above is the result of a £3.251m deficit in 2022/23 and further budget pressures of £1.063m identified for 2023/24.

Table 2: Key Budget Assumptions

Key Assumptions	2021/22	2022/23	2023/24
Increase in Retained Business Rates through Growth	0%	0%	0%
Future Service Pension Rate	16.4%	16.4%	16.4%
Pension Fund Deficit Recovery	£0.432m	£0.450m	£0.467m
Additional Business Rates - Lancashire Pool	(£0.800m)	£0.000m	£0.000m
Reduction in Business Rates through Fair Funding Review and Business Rates Reforms	£0.000m	£0.400m	£0.800m
Income from LCC	(£0.210m)	(£0.210m)	(£0.210m)
Pay Award (average)	0%	2%	2%

Leisure Services

28. One of the largest financial impacts on the council due to COVID-19 was the disruption caused to the procurement of the leisure services management contract. The council has been unable to transition services to a new external provider and as such has brought these services in-house. The council is reviewing the models of delivering leisure services and has included in the budget a prudent estimate of continuing to deliver the services through council-owned means with an expectation that the net cost to the council will be zero by 2023/24.

BALANCING THE BUDGET IN 2021/22

29. Funding to Chorley Council has fallen from over £17m in 2016/17 to a forecast figure of £11.1m by 2023/24. During this period, the council continued to experience inflationary increases in staff and non-staff budgets. However, the council has been ambitious in its approach to meeting the budget deficit through realising efficiency savings and generating additional income.
30. The council has been successful in keeping its costs down whilst continuing to provide the high-quality services expected from its residents. The council achieves this by continually reviewing its budgets and contracts. Staffing efficiencies of over £1m have been achieved since 2014/15 with further savings realised and future savings forecast through the council's commitment to explore and invest in alternative delivery models, including sharing more services with South Ribble Borough Council
31. The council will continue to invest within Chorley borough to improve housing, provide employment opportunities as well as generate income and therefore make the council less reliant on the increasingly uncertain funding from Government.

Table 3: Balancing the Budget

	2021/22 £m	2022/23 £m	2023/24 £m
TOTAL BUDGET DEFICIT	908	3,251	4,314
Efficiency Savings			
Shared Services – Phase 1 (Achieved)	(148)	(148)	(148)
Shared Services – Phase 1 (Next Phase) Forecast	(40)	(220)	(220)
Shared Services – Phase 2 Forecast	(149)	(179)	(179)
Income Generation			
Market Walk Extension	(100)	(150)	(150)
Primrose Retirement	(74)	(80)	(80)
Strawberry Fields	223	(0)	(188)
Investment in Logistics House Site	(450)	(450)	(450)
NET DEFICIT / (SURPLUS)	170	2,023	2,940

32. On 17 November 2020 Full Council approved the proposals for phase 2 of **shared services** with South Ribble Borough Council, including a joint digital strategy, customer services

operating model, shared leadership and management, and joint Chief Executive. This report built on the already successful implementation of phase 1 of expanded shared services between the two councils. The total forecast savings from the two phases of shared services are £337k in 2021/22 rising to £547k by 2023/24. Now that joint Directors at both councils are in place, service reviews will be undertaken at both councils with the possibility of other efficiencies being generated.

33. The £16m extension to **Market Walk Shopping Centre** opened its doors in November 2019 and brought investment in both the retail and night-time economy across the town centre. Prior to COVID-19 the investment was forecast to bring the council a net income of over £200k per annum. The council has revised the expectations regarding its investment in retail and at this point in time, there are five tenants occupying the site at 75% occupancy generating approximately £100k net income per annum. There remains interest in the remaining 2 units with a forecast total net income over the medium-term of £150k.
34. The **Primrose Retirement Village** opened its doors to residents in October 2019 and all of the 65 apartments are occupied. This Corporate Strategy project allows people to live independently whilst receiving the care and support needed to enjoy later life.
35. Chorley Council's £8.5m **Strawberry Fields Digital Office Park** had reached 40% occupancy prior to the COVID-19 pandemic. Since then the council has managed the site as efficiently as possible including:
 - renegotiating with the European Regional Development Fund (ERDF) additional flexibility as to the mix of tenants the council were eligible to attract to the site
 - utilising the remaining capital budget to reconfigure the internal floor area to maximise interest from potential tenants

There remains significant interest in the site and the budget forecasts a gradual increase in income beginning with a break-even position in 2022/23 rising to a net income to the council of £188k by 2023/24.

36. On 23 July 2019 Full Council approved the £33m purchase of the **Logistics House** site in Buckshaw. The council leases the building back to the current tenant via a wholly owned company with an expected net income, after borrowing costs, of £450k rising to £900k towards the end of the lease term. The council set aside the initial £450k of net income in 2020/21 to create an income equalisation reserve that will be used to manage any budget implications of the site becoming vacant.

INVESTING IN CORPORATE PRIORITIES

37. The council continues to invest in delivering the ambitions set out in its Corporate Strategy and to ensure that the council delivers high quality services to its residents. The key areas of investment are set out on the following pages.

Investing in corporate priorities 2020/21

In 2020/21 the council allocated over £1m of revenue investment to deliver corporate strategy priorities through a programme of activities designed to meet the fundamental needs of local residents, like health, housing and jobs, while continuing to get Chorley in the best social and economic position of the future.

Involving residents in improving their local area and equality of access for all



£50k to transform the council's website to provide a provide the highest quality, customer focused and efficient website which will be accessible for all.

£1.6m capital budget for improvements to Astley Hall that will ensure a safe and secure local asset that offers a high quality, sustainable visitor attraction for future years. Work has commenced in the new year

An ambitious council that does more to meet the needs of residents and the local area



£60k to support over 230 vulnerable individuals through social prescribing, helping them to improve their wellbeing.

£65k to sustain key bus routes in the borough to mitigate the impact of county wide cuts, ensuring that residents can access all areas of the borough.

Clean, safe and healthy homes and communities



£50k to improve street cleaning and litter collections. Customer dissatisfaction was 14.8% for September 2020 compared to a target of 20%.

£15m redevelopment has begun at the Tatton Recreation site which will provide vital facilities for local residents, including new health services and improved play and open spaces. The council has successfully secured £9m of external funding to deliver these improvements.

£2.5m investment underway at West Way Playing Fields.

A strong local economy



£600k investment in our Chorley Markets to improve and the enhance retail and visitor experience, contributing to the visitor economy of Chorley.

£9.2m investment in the Alker Lane site which will deliver a development for employment land, including the delivery of light industrial units for business use, which will drive forward economic growth in the borough. The council has successfully secured £2m of external funding to deliver this project.

Investment Priorities 2021/22

In 2021/22 the Council will allocate £1.7m revenue investment and over £30m in capital investment to drive forward ambitions for economic growth and ensure that Chorley is an even more attractive place to live, work and invest with high quality recreation grounds, health services and business development. The council will also continue to work hard to deliver sustainable public services through transforming the organisation and working closely with partners to integrate services. The council has also made a commitment to deliver its green agenda and this is reflected in the priorities for investment.

An ambitious council that does more to meet the needs of residents and the local area

- £100,000 to support future planning applications and enable us to, if needed, defend locally made decisions.
- £60,000 to continue to support vulnerable individuals through funding for the social prescribing team – as well as securing more investment from the NHS.

A strong local economy

- £500,000 including the removal of asbestos and for the demolition of bingo hall to make way for public realm works in the town centre making the town centre an even better place to live and work.
- £100,000 per year to improve the services from Chorley Bus Station.

Involving residents in improving their local area and equality of access for all

- £400,000 to fund our large commissions which enable third sector organisations to deliver support to residents against key priorities for the next three years.
- £15,000 to provide additional new support to the Voluntary, Community and Faith Sector to provide support in the community.

Clean, safe and healthy homes and communities

- £100,000 to fund crucial works to the council's CCTV operations centre.
- £100,000 to refresh the Local Plan for the next five years.
- £120,000 to contribute to running of the Youth Zone including outreach work.
- £350,000 to deliver the Clayton-le-Woods parish building.

Future capital investment:

Whittle Health Hub – £4m of investment to develop a modern and high-quality health facility.

Housing – £1.5m allocated to the deliver council-owned affordable housing across the borough.

Green agenda – £500k allocated to dedicated resource and a programme of delivery.

Tatton – £15m to deliver provide vital facilities for local residents, including improved health provision and open spaces.

Alker Lane – £9.2m to deliver light industrial units for business use to drive forward local economic growth.

ADDITIONAL INVESTMENT 2021/22

Planning

38. One of the identified priorities is for the council to obtain greater influence around planning. The implications surrounding planning decisions affect Chorley Council and its residents and impacts on the emerging local plan and future land supply. The following actions have been identified:
- The council will lobby central government to ensure that Chorley Council is to be given special dispensation to have alternative method for determining local housing need due to exceptional circumstances of land constraints.
 - Remain committed to ensuring that we deliver strong and locally accountable decision making in planning.
39. The council has £100k per year revenue budget allocated to the review of the local plan that will be fully committed until the plan is complete. A £100k reserve has been set aside to further support the council to defend locally made planning decisions.

Education

40. One of the identified priorities is greater provision of high school education across the borough in response to a growing population and limited capacity within existing establishments. To contribute towards the successful delivery of this priority, the following actions have been identified:
- Reviewing the evidence base and establishing the current position on requirements across the borough. This is to be used to advocate with Lancashire County Council for further provision. This piece of work will be aligned with the review of the local plan.

Delivery in local areas

41. The council will increase its investment in improvements across the borough, especially in local areas targeting the smaller parks, open spaces, community spaces and play facilities right across the borough. The council will also invest in enhanced tidying up of shrubbery, replacing old equipment and where possible creating extra allotments. Further works of £100k have been identified within the borough and will be funded through reserves or external developer s106 contributions.

42. Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.945m in 2022/23 and £2.811m in 2023/24. The council's medium term plan to meet the budget deficits is outlined below in Table 4.

Table 4: Medium Term Financial Plan

	2021/22 £m	2022/23 £m	2023/24 £m
NET DEFICIT / (SURPLUS)	170	2,023	2,940
Council Tax Increase – 2% 21/22, 22/23 & 23/24	(143)	(292)	(447)
Parking Income	0	(200)	(200)
Investment Sites	0	(200)	(400)
TOTAL SAVINGS & ADDITIONAL INCOME	(143)	(692)	(1,047)
REVISED DEFICIT / (SURPLUS)	27	1,331	1,893
Directorate Savings Identified	0	(318)	(513)
Future Savings	(27)	(1,013)	(1,380)
REVISED DEFICIT / (SURPLUS)	0	0	0

TRANSFORMATION STRATEGY

43. The transformation strategy covers many aspects of change both within the council and in partnership with other organisations. At this stage, the main strands of the strategy that could generate savings and income are outlined further below.

Income Generation

Council Tax

44. The Provisional Local Government Finance Settlement outlines the Core Spending Power available to local authorities. This is the level of resources the Government assumes councils will have available and is predicated on all councils across the country increasing council tax up to the referendum limit of 2% (5% for authorities with social care responsibilities) year-on-year. As such, if the council were to freeze council tax it is likely it will need to then bridge a larger gap between funding allocated to it, via business rates retention and the fair funding review, and funding required to deliver services in 2021/22 onwards.
45. Through effective management of its budget and investment in income generating projects, Chorley Council has been able to maintain one of the lowest levels of council tax in Lancashire as demonstrated below:

	Band D Equivalent 2020/21 £
Preston	320.75
Rossendale	279.57
Pendle	270.62
Hyndburn	266.77
South Ribble	223.24
West Lancs.	208.39
Wyre	204.74
Chorley	171.37
Fylde	165.39
Ribble Valley	155.69

46. However, continued uncertainty regarding future funding and the need for the council to manage staffing and non-staffing inflationary budget increases, means that this budget proposes to increase Chorley Council's share of council tax by 1.99% in 2021/22, similar increases have been forecast for 2022/23 and 2023/24 however these will be reviewed annually and will be subject to the outcome of the delayed Government reforms to council funding expected in April 2022.
47. The council will remain committed to supporting those who may struggle to pay their council tax because of the challenging circumstances they find themselves in. On that basis, the council will make use of the monies it has available to support council tax payers.

Parking Charges

48. The council's parking charges were reduced in 2016/17 as part of the updated parking strategy. Future increases in parking charges will be considered by the council if they are deemed necessary to meet the budget deficit. However, new charges would only be introduced as part of a renewed parking strategy and only if changes to parking tariffs would not be detrimental to the town centre.

Investment Sites

49. The council owns several sites that are being developed to bring forward the expansion of employment, housing and health services within the borough. These include:
- Land at Alker Lane
 - Land at Shady Lane
 - Whittle Surgery
 - The redevelopment of site surrounding Tatton Recreation Ground
50. These sites are at different stages of advancement but are forecast to generate additional net income for the council of £200k by 2022/23 and £400k by 2023/24 whilst delivering improvements in local infrastructure for residents and businesses.

Future Savings

51. The council's senior leadership team has identified possible future savings of up to £513k to address the future forecast budget deficit. These could be realised through
- Renegotiation of current contracts
 - Implementation of the Digital Strategy and WorkSmart programme - maximising the use of technology and digital information. Cost savings are expected through process/productivity improvements and further increase in digital take up of council services
 - The modernisation of Streetscene Services – the council has invested in these services to continue to improve current working practices, modernise and introduce improvements to deliver high quality services in a co-ordinated way.
 - Continually reviewing its staffing structures to ensure they are efficient and fit-for-purpose.
52. The level of future savings required to balance the budget will be largely dependent upon the outcome of the Fair Funding Review and Business Rates Review. Both the impact of this review and the date of implementation remaining unknown but are forecast to reduce the council's funding by £800k by 2023/24. If this was the outcome of the review, then the council will need to recognise savings and/or additional income of £1.244m by 2023/24.
53. The council will continue to invest in its services to recognise additional income and efficiencies. Future opportunities include:
- A review of the council's **portfolio of assets** to recognise potential opportunities for sale, redevelopment whilst improving services. This council will continue to enable residents and businesses to access council services digitally whilst maintaining the necessary face-to-face support. Through the digital investment already made, forecast improvements in council services and expected efficiencies should be realised over the medium-term.
 - The council has been successful in **investing within the borough** to generate jobs, improve health services as well as improving the retail and night-time economy. Whilst delivering this the council has also generated additional net income that supports other council services. The MTFS includes a forecast target of £400k net income by 2023/24 from such investments, however the council is identifying further opportunities that are hoped to provide net income over and above this target. The council has successfully brought in additional external funding from various sources including Homes England, Lancashire Enterprise Partnership (LEP), CIL and S106. The council will build on this success to deliver future investments.
 - The council is ambitious in its delivery of services and will continue to pursue **alternative models of delivering its services**. The MTFS includes £547k of efficiency savings through the expansion of shared services with South Ribble Council however both councils will continue to develop these models with future budget savings expected. Chorley Council will also review its delivery of other services such as its management of leisure services.

RESERVES

54. Over the past seven years, the council has made ambitious investments to help enable the delivery of a balanced budget. However, the council has also been ensured a prudent and affordable approach to delivering the medium-term financial strategies. The council has set aside and increased the balances to several reserves as outlined in Table 5 below. The expected balances of these reserves is given in table 5 below.

Table 5: Forecast Reserve Balances

	2021/22 £m
General Fund Reserve	4.000
<i>Reserves - Income</i>	
Market Walk Income Equalisation Reserve	0.335
Logistics House Income Equalisation Reserve	0.450
Business Rates Retention Reserve	1.256
Total Reserves - Income	2.041
<i>Reserves – Asset Maintenance</i>	
Market Walk Asset Maintenance	0.104
General Asset Maintenance	0.080
Total Reserves – Asset Maintenance	0.184
<i>Reserves - Other</i>	
Income Generation Reserve	0.326
Change Management Reserve	0.250
Grant Support to Local Businesses	0.200
Planning Reserve	0.100
Total Reserves – Other	0.876

55. These reserves are necessary to mitigate the financial impact of the uncertainty the council faces such as the reforms to future funding levels and the impact of Brexit and Covid-19 on its residents and local businesses.
56. The council has set aside £1.2m to manage any one-off reductions in business rates such as unbudgeted changes to valuations or the implementation of future expected Government reforms. The council has also set aside over £300k to manage any in-year reductions in income from Market Walk. The budget is already set to anticipate a £100k reduction in ongoing income however the reserve may be called upon to manage income reductions from unforeseen voids or managing one-off incentives, such as rent free periods, when leases are renewed.

57. £200k has been set aside to continue to offer grants to enable local businesses to relocate or expand within the borough. These grants enable the council to match fund local business investment to expand local businesses and job opportunities, this will be especially important during the post-Covid recovery period.
58. The council has set aside £4m in general funds, approximately 30% of the annual net expenditure budget, to manage future uncertainty in expenditure and income over the medium-term. The council has not budgeted to utilise this reserve to manage budget deficits however this will be reviewed as part of the council's continual budget management process.

CAPITAL PROGRAMME

59. This report has dealt with the Council's revenue budget. Implicit in the investment programme set out above, however, are financial implications for the capital programme. The latest three-year Capital Programme can be found in the Revenue and Capital Budget Monitoring Report 2019/20 Report 2 approved at November Executive Cabinet 2019. The council has an ambitious capital programme with over £56m budgeted to be invested over the MTFS period. As a result of this, there are no proposed changes to the capital programme as part of this draft budget.

IMPLICATIONS OF REPORT

60. Some of figures outlined in the report are estimates and based on assumptions that are likely to change. These include external risks such as changes to Government funding arrangements, changes to interest rates and national and local economic changes. In addition, the council faces internal risks such as void rates in its income generating assets and the risks of delivering transformational change such as the expansion of shared services.
61. The risks are dealt with through managing prudent levels of reserves, continually monitoring government announcements, monitoring current and future economic projections and by making prudent budget assumptions.
62. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	✓
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

63. The financial implications of the above report are all contained in the text above but to clarify all proposals are funded and can be accommodated within the 2021/22 budget. It should be noted that the report does contain several assumptions on some future budget elements and also what the final out-turn position will be for 2020/21. Should any of this change due to unforeseen circumstances arising before 31st March 2021, this will be

reviewed and reported

COMMENTS OF THE MONITORING OFFICER

64. The budget proposals are in accordance with the requirements of legislation

JAMES THOMSON
DEPUTY DIRECTOR OF FINANCE (S151 OFFICER)

Report Author	Ext	Date
James Thomson / Neil Halton	***	8 January 2021